

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 2019 - HB 2441**

March 4, 2018

**SUMMARY OF BILL:** Requires identification of a physician licensed in this state and a meeting with the enrollee's physician when a claim is denied on the basis of medical necessity. The proposed legislation is effective January 1, 2019.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$140,000/FY18-19 and Subsequent Years/General Fund  
\$143,500/FY18-19/Health Related Boards  
\$82,300/FY20-21 and Every Two Years Thereafter/  
Health Related Boards**

**Increase State Expenditures –  
Exceeds \$121,800/FY18-19/General Fund  
Exceeds \$97,800/FY19-20 and Every Two Years Thereafter/  
General Fund  
Exceeds \$125,900/FY20-21 and Every Two Years Thereafter/  
General Fund**

**Increase Federal Expenditures - \$186,700/FY18-19  
\$92,200/FY19-20 and Every Two Years Thereafter  
\$146,400/FY20-21 and Every Two Years Thereafter**

**Other Fiscal Impact – Pursuant to Tenn. Code Ann. § 4-29-121, all health related boards (HRB) are required to be self-supporting over a two-year period. The HRB had an annual surplus of \$4,526,956 in FY15-16, an annual surplus of \$3,551,254 in FY16-17, and a cumulative reserve balance of \$32,645,083 on June 30, 2017.**

**Assumptions:**

- The proposed legislation would prohibit insurance or related companies from utilizing physicians from other states not licensed in Tennessee to provide utilization review services.
- Based on information provided by the Division of TennCare, (Division), the Division has 350 out-of-state independent review physicians without a Tennessee medical license. The Board of Medical Examiners assesses a \$410 application fee for licensure as a

medical doctor and a biennially renewal fee of \$235. Medical doctors are required to pay an annual professional privilege tax of \$400.

- The Division will cover such fees and taxes on behalf of physicians.
- The one-time increase in state revenue to the health related boards associated with physician licenses is estimated to be \$143,500 (350 physicians x \$410). The one-time increase in state expenditures to the Division associated with licensure is estimated to be \$143,500 (350 physicians x \$410). Such revenue and expenditures will be realized and incurred in FY18-19.
- The recurring increase in state revenue to the General Fund associated with the professional privilege tax is estimated to be \$140,000 (350 physicians x \$400), beginning in FY18-19.
- The recurring increase in state expenditures for the Division associated with the professional privilege tax is estimated to be \$140,000 (350 physicians x \$400), beginning in FY18-19.
- The biennial increase in state expenditures associated with renewals, beginning in FY20-21, is estimated to be \$82,250 (350 physicians x \$235).
- The total increase in state revenue to the health related boards in FY20-21 and every two years thereafter is estimated to be \$82,250.
- The total increase in state expenditures for the Division in FY18-19 is estimated to be \$283,500 (\$143,500 + \$140,000). Medicaid expenditures receive matching funds at a rate of 68.858 federal funds to 34.142 state funds. Of the \$283,500, \$96,793 (\$283,500 x 34.142%) will be in state funds and \$186,707 (\$283,500 x 65.858%) will be in federal funds.
- The total increase in state expenditures for the Division in FY19-20 and every two years thereafter is estimated to be \$140,000, of this amount, \$47,799 (\$140,000 x 34.142%) will be in state funds and \$92,201 (\$140,000 x 65.858%) will be in federal funds.
- The total increase in state expenditures for the Division in FY20-21 and every two years thereafter is estimated to be \$222,250 (\$140,000 + \$82,250). Of the \$222,250, \$75,881 (\$222,250 x 34.142%) will be in state funds and \$146,369 (\$222,250 x 65.858%) will be in federal funds.
- Based on information provided by the Division of Benefits Administration (Benefits Administration), Benefits Administration depends on third party administrators for utilization review.
- It is estimated Benefits Administration will incur recurring costs in excess of \$50,000 to employ at least one Tennessee licensed provider to comply with the proposed legislation.
- Due to the January 1, 2019 effective date, the increase in state expenditures for Benefits Administration in FY18-19 is estimated to exceed \$25,000 (\$50,000 x 50.0%).
- The recurring increase in state expenditures in FY19-20 and subsequent years is estimated to exceed \$50,000.
- The total increase in state expenditures in FY18-19 as a result of this legislation is estimated to exceed \$121,793 (\$96,793 + \$25,000)
- The total increase in state expenditures in FY19-20 and every two years thereafter as a result of this legislation is estimated to exceed \$97,799 (\$47,799 + \$50,000).

- The total increase in state expenditures in FY20-21 and every two years thereafter as a result of this legislation is estimated to exceed \$125,881 (\$75,881 + \$50,000).
- Pursuant to Tenn. Code Ann. § 4-29-121, all health related boards are required to be self-supporting over a two-year period.
- The Division of HRB had an annual surplus of \$4,526,956 in FY15-16, an annual surplus of \$3,551,254 in FY16-17, and a cumulative reserve balance of \$32,645,083 on June 30, 2017.

## **IMPACT TO COMMERCE:**

**Increase Business Revenue – Exceeds \$25,000/FY18-19**  
**Exceeds \$50,000/FY19-20 and Subsequent Years**

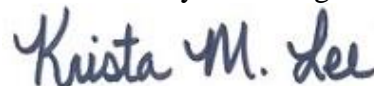
**Increase Business Expenditures – Exceeds \$25,000/FY18-19**  
**Exceeds \$50,000/FY19-20 and**  
**Subsequent Years**

### **Assumptions:**

- Third party administrators will experience an increase in business revenue for providing utilization review services estimated to exceed \$50,000 in FY19-20 and subsequent years. Due to the January 1, 2019 effective date, the increase in business revenue in FY18-19 is estimated to be \$25,000 (\$50,000 x 50.0%).
- The estimated increase in business expenditures is estimated to exceed \$50,000 in FY19-20 and subsequent years. Due to the January 1, 2019 effective date, the increase in business expenditures in FY18-19 is estimated to exceed \$25,000 (\$50,000 x 50.0%).
- For companies to retain solvency, any increased expenditures will be less than the amount of revenue collected.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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